

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: October 1, 2002

SUBJECT: Fiscal Impact Statement: "Fiscal Year 2003 Budget Support Amendment Act of 2002"

REFERENCE: The FY 2003 Revised Budget Submission to the U.S. Congress

Conclusion

The proposed legislation amends the Fiscal Year 2003 Budget Support Act of 2002. The Budget Support Act is the legislative vehicle for adopting statutory changes needed to implement the District's proposed FY 2003 through FY 2006 budget and financial plan. This bill will result in local General Fund revenue to the District Government of \$128.8 million in FY 2003 and \$550.1 million from FY 2003 through FY 2006.

This measure along with anticipated Mayoral rulemaking and agency planned expenditure reductions will result in an approximate \$323.5 million overall reduction from the FY 2003 budget submitted to the U.S. Congress in June 2002. The combined initiatives provide sufficient funds to balance the FY 2003 consensus budget and financial plan as agreed to by the Mayor and the Council of the District of Columbia. Anti-deficiency laws, 31USCA § 1341 (2000), prohibit District officers and employees from exceeding agency appropriations in any fiscal year.

[Title I – Uniform Per Student Funding Formula for Public Schools and Public Charter Schools Amendment Act of 2002:](#)

Background

The proposed legislation amends the Uniform Per Pupil Funding Formula for the Public Schools and Public Charter Schools Act of 1998 and the Special Education Act of 2000.

The proposed title will revise the weighting formulas used to calculate funding for students attending schools in the District.

Financial Plan Impact

Funds are sufficient in the proposed FY 2003 through FY 2006 budget and financial plan. The proposed budget for the District of Columbia Public Schools (DCPS) includes \$546.1 to implement the components of the proposed legislation reduced from the \$576.1 million proposed in June 2002. The proposed budget for the D.C. Public Charter Schools (PCS) includes \$130.4 million reduced from the \$132.8 million proposed in June 2002. This measure represents total planned expenditure reductions of \$32.4 million and is a part of the budget reduction package being submitted to the U.S. Congress.

Title II – Events Clean-Up and Trash Removal Act of 2002:

Background

The proposed title increases the fees charged to sponsors of events in the District to cover personnel costs for cleaning and trash removal at public areas. The proposed title also gives the Mayor discretionary Rulemaking authority to charge the event sponsors fees.

While repealing a \$0.35 per disposable trash bag fee requirement, the proposed title will increase the rate per hour per employee charged for performing the cleanup operations. The rate will be increased from \$24.25 per hour to \$27.00 per hour. In addition, two other fees will be established. To cover vehicle costs a rate per hour of \$40.00 will be charged, and to cover disposal costs a \$79.23 per ton rate will be charged. Additional fees will be collected through the permitting process.

Financial Plan Impact

The proposed FY 2003 through FY 2006 budget and financial plan has sufficient resources to implement the components of the proposed legislation. The proposed title will result in an increase in revenue of \$245,000 per year. The following table presents the projected revenue increase associated with the provisions of the proposed title.

Estimated Increase to Local General Fund Revenue				
(\$ in millions)				
FY 2003	FY 2004	FY 2005	FY 2006	4-Year Total
\$0.25	\$0.25	\$0.25	\$0.25	\$1.00

Title III – Housing Production Trust Fund Amendment Act of 2002:

Background

Besides making technical changes to the Housing Act of 2001, provisions in the proposed title delay the full implementation of Title V of the Housing Act from the initial implementation date of October 1, 2002 to October 1, 2003.

The proposed title requires \$5 million be deposited in the Housing Production Trust Fund (HPTF) effective October 1, 2002 (FY 2003) as a one-time budgeted expenditure.

Beginning in fiscal year 2004, the District will transfer 15 percent of the District's real property transfer tax and the deed recordation tax to the HPTF. Provisions of the proposed legislation require the Chief Financial Officer to certify revenue estimates that will govern the transfer of funding subject to the provisions of the proposed title.

Financial Plan Impact

Funds are sufficient in the proposed FY 2003 through FY 2006 budget and financial plan to implement all the provisions of the proposed title.

Of the \$11.5 million budgeted for FY 2003 in the June 2002 submission to the U.S. Congress \$5 million is to be allocated to the HPTF. The remaining \$6.5 million will be moved from the HPTF to the local General Fund.

The following table presents the estimated revenue increase to the financial plan.

Impact to Local General Fund Revenue				
(\$ in millions)				
FY 2003	FY 2004	FY 2005	FY 2006	4-Year Total
\$6.5	\$0.0	\$0.0	\$0.0	\$6.5

Title IV – Tobacco Settlement Savings Fund Amendment Act of 2002:

Background

The proposed title requires that 100 percent of the proceeds received through the Tobacco Settlement, consisting of the residual interest and savings due to debt defeasement or prepayment, shall be deposited in the local General Fund. The proposed title requires the budget prepared for the District to include reasonable expenses for the Board of Trustees of the Tobacco Settlement Trust Fund that administers the fund.

The proposed title requires that \$1 million be allocated to the Department of Human Services (DHS), the Child and Family Services Administration (CFSa), the District of

Columbia Public Schools (DCPS) local costs for Medicaid and Special Education programs. Provisions of the proposed legislation are effective October 1, 2002 through September 30, 2004.

Financial Plan Impact

This title will increase local General Fund revenue by \$10 million in FY 2003. Provisions of the proposed title were considered in the development of the proposed budget and financial plan. Provisions of the proposed legislation require that the Board of Trustees of the Tobacco Settlement Trust Fund reinvest the Fund balance after the transfer of \$1 million to the city for operations in certain agencies.

Net Revenue Impact to the Financial Plan (\$ in millions)				
FY 2003	FY 2004	FY 2005	FY 2006	4-Year Total
\$10.0	\$0.0	\$0.0	\$0.0	\$10.0

[Title V – Vital Records Act of 1981 Penalties Amendment Act of 2002:](#)

Background

The proposed title allows the imposition of civil fines or penalties for infractions associated with the handling of official government records.

Financial Plan Impact

This title has no material impact on the cost of services provided by the District of Columbia and has no effect on local General Fund revenue. This provision has no fiscal impact because all funds received from civil fines and penalties are retained by the Courts.

[Title VI – District of Columbia Substance Abuse Treatment and Prevention Act of 1989 Fees Amendment Act of 2002:](#)

Background

The purpose of the proposed title is to amend Section 8 of the District of Columbia Substance Abuse Treatment and Prevention Act of 1989 to allow the District to put in place a schedule of fees for any individual or entity applying for certification as a substance abuse treatment facility. In addition, the proposed title allows the establishment of civil fines and penalties for infractions associated with Title 44 § 1201 to § 1209. All funds received from civil fines and penalties are retained by the Courts.

Financial Plan Impact

Funds are sufficient in the FY 2003 through FY 2006 budget and financial plan because no additional staff or resources will be required to implement the provisions of the proposed legislation. The proposed title will contribute a small revenue increase to the District's local General Fund. Other provisions have no fiscal impact because all funds received from civil fines and penalties are retained by the Courts.

[Title VII Emergency and Non-Emergency Number Telephone Calling System Fund Amendment Act of 2002:](#)

Background

The proposed title increases the monthly fee for access to local telephone connection in the District of Columbia. The monthly fee will apply to Centrex, non-Centrex and Wireless connectivity. The rate is a monthly charge of \$0.57 per line. Current rates are \$0.07 to \$0.56 per line.

Financial Plan Impact

Revenue generated by the proposed title will be deposited into the Emergency Non-Emergency Telephone Systems Assessments Fund and be earmarked for the Office of the Chief Technology Officer for use in offsetting the costs associated with the City-Wide Call Center, the 911 Emergency Services Center, and other communications infrastructure improvements and operations.

[Title VIII Pay-As-You-Go Funding Amendment Act of 2002:](#)

Background

The proposed title repeals title XXXIII [33] of the Fiscal Year 2003 Budget Support Act of 2002. Title XXXIII governed the Pay-as-You Go funding made available to 4 agencies in FY 2003. The agencies were Metropolitan Police Department (MPD), Department of Fire and Emergency Medical Services (F/EMS), the Department of Corrections (DOC) and the Child and Family Services Administration (CFSA).

Financial Plan Impact

The proposed title has no impact on the FY 2003 through FY 2006 budget and financial plan.

[Title IX – Imposition and Rates of Sales Tax Amendment Act of 2002:](#)

Background

The purpose of the proposed title is to increase the sales tax on retail sales of alcoholic beverages from 8 percent to 9 percent of the gross receipts for off-premise consumption. In addition, the proposed title will increase the sales tax on a pack of cigarettes from \$0.65 to \$1.00.

The proposed title will also increase the Public Utilities Tax Rate from 10 percent to 11 percent. In addition, the proposed title will increase the Toll Telecommunications Tax Rate from 10 percent to 11 percent. The proposed title will also increase the tax rate per kilowatt/hour for electricity from \$0.007 to \$0.0077.

Financial Plan Impact

The provisions of the proposed legislation will result in an increase in local General Fund revenue. The following table presents the projected increase to the FY 2003 through FY 2006 budget and financial plan.

Net Revenue Impact to the Financial Plan					
(\$ in millions)					
Item	FY 2003	FY 2004	FY 2005	FY 2006	4-Year Total
Retail Alcohol	\$1.4	\$1.9	\$1.9	\$2.0	\$7.2
Cigarettes	5.8	7.5	7.2	7.0	27.5
Sales Tax Subtotal	\$7.2	\$9.4	\$9.1	\$9.0	\$34.7
Public Utilities	10.4	14.0	14.3	14.6	53.3
Toll Telephone	4.9	6.9	7.5	8.2	27.5
Gross Receipts Subtotal	\$15.3	\$20.9	\$21.8	\$22.8	\$80.8
Net Annual Impact	\$22.5	\$30.3	\$30.9	\$31.8	\$115.5

[Title X – Imposition and Rates of Franchise Tax Amendment Act of 2002:](#)

Background

The proposed title holds the Corporate Franchise Tax at the current rate of 9.975 percent and suspends further reductions as required by the Tax Parity Act.

Financial Plan Impact

The provisions of the proposed legislation will result in an increase in local General Fund revenue. The table on the following page presents the projected increase to the FY 2003 through FY 2006 budget and financial plan.

Net Revenue Impact to the Financial Plan (\$ in millions)				
FY 2003	FY 2004	FY 2005	FY 2006	4-Year Total
\$17.5	\$24.3	\$25.2	\$26.3	\$93.3

[Title XI - Deed Recordation Tax Amendment Act of 2002:](#)

Background

The proposed title amends the District of Columbia Deed Recordation Tax Act to increase the rate from 1.1 percent to 1.5 percent. It will also increase the deed transfer tax rate of an economic interest from 2.2 percent to 3.0 percent. Provisions of the proposed title will exclude properties with a value of less than \$250,000 or first time home buyers.

Financial Plan Impact

The provisions of the proposed legislation will result in an increase in local General Fund revenue. The following table presents the projected increase to the FY 2003 through FY 2006 budget and financial plan.

Net Revenue Impact to the Financial Plan (\$ in millions)				
FY 2003	FY 2004	FY 2005	FY 2006	4-Year Total
\$24.0	\$27.3	\$27.9	\$28.6	\$107.8

[Title XII - Tax Rate Reduction Mechanism Amendment Act of 2002:](#)

Background

The proposed title authorizes reductions in the Deed Recordation, Deed Transfer, economic interests, and Telephone Toll Communications taxes based on the CFO's periodic certifications of District revenue.

Financial Plan Impact

This title has no material impact on the cost of services provided by the District of Columbia. Funds are sufficient in the proposed FY 2003 through FY 2006 budget and financial plan and there would be no impact on local General Fund revenue.

[Title XIII Imposition and Rates of Real Property Taxation Amendment Act of 2002:](#)

Background

The purpose of the proposed title is to establish a new class III for vacant and abandoned property and establish tax rates of \$5.00 per \$100 assessed.

Financial Plan Impact

The provisions of the proposed legislation will result in an increase in local General Fund revenue. The following table presents the projected increase to the FY 2003 through FY 2006 budget and financial plan.

Net Revenue Impact to the Financial Plan (\$ in millions)				
FY 2003	FY 2004	FY 2005	FY 2006	4-Year Total
\$5.8	\$5.2	\$4.8	\$4.8	\$20.6

[Title XIV – Inheritance and Estate Tax Act of 2002:](#)

Background

The proposed title makes clarifying changes to Chapter 37, Title 47 § 301 to protect the District's revenue from inheritance and estate taxes at the current levels while the federal government does away with its inheritance and estate taxes.

Financial Plan Impact

Funds are sufficient in the proposed FY 2003 through FY 2006 budget and financial plan. The proposed legislation will prevent the loss of \$25.5 million in funds in FY 2003 and \$179 million in FY 2003 through FY 2006.

[Title XV – Classification Studies for Police and Fire Amendment Act of 2002:](#)

Background

The proposed title removes provisions of the Classification and Compensation Studies for Police and Fire Amendment Act of 2002 to make technical changes associated with procedures requiring the District Office of Personnel (DCOP) to use in upcoming studies of compensation and benefits of Police Officers, Firefighters and Emergency Services Personnel, and school teachers.

Financial Plan Impact

The proposed title would have no impact on the proposed FY 2003 through FY 2006 budget and financial plan and has no impact on the cost of services or local General Fund revenue.

[Title XVI – Department of Consumer and Regulatory Affairs Amendment Act of 2002:](#)

Background

The proposed title makes numerous changes to the fees collected by the Department of Consumer and Regulatory Affairs (DCRA).

Financial Plan Impact

Funds are sufficient in the FY 2003 through FY 2006 budget and financial plan because no additional staff or resources will be required to implement the provisions of the proposed legislation. The proposed title will contribute to an overall increase to District User Fees and Charges of \$6.6 million in FY 2003.

[Title XVII - Department of Motor Vehicles Fees Amendments](#)

[Subtitle A - Recording and Releasing of Liens for Certificates of Titles Amendment Act of 2002:](#)

Background

The proposed title makes changes to the fees collected by the Department of Motor Vehicles (DMV). The proposed title will increase the fee for recording the release of lien from a vehicle from \$15 to \$20.

Financial Plan Impact

Funds are sufficient in the FY 2003 through FY 2006 budget and financial plan because no additional staff or resources will be required to implement the provisions of the proposed legislation. The proposed title will contribute to an overall increase to District User Fees and Charges of \$6.6 million in FY 2003.

[Subtitle B – Administration and Operating Record Act of 2002:](#)

Background

The proposed title makes changes to the fees collected by the Department of Motor Vehicles (DMV). The proposed title will increase the fee for reinstatement of driving permit from \$30 to \$98, and report of operating record from \$5 to \$7.

Financial Plan Impact

Funds are sufficient in the FY 2003 through FY 2006 budget and financial plan because no additional staff or resources will be required to implement the provisions of the proposed legislation. The proposed title will contribute to an overall increase to District User Fees and Charges of \$6.6 million in FY 2003.

[Subtitle C – Motor Vehicle Registration Amendment Act of 2002:](#)

Background

The proposed title makes changes to the fees collected by the Department of Motor Vehicles (DMV). The proposed title will increase the fee for duplicate registration certificates to \$7, the fee for replacement tag issue to \$10, the dealer's proof of ownership to \$15, and temporary tags will be increased from \$10 to \$13.

The proposed title will increase the fee to the manufacturer for shipping vehicles to the District. For vehicles 3,499 pounds and under the fee will be increased from \$55 to \$72, and for vehicles 3,500 pounds and greater the fee will be increased from \$88 to \$115, and from \$30 to \$52 for motorcycles.

Financial Plan Impact

Funds are sufficient in the FY 2003 through FY 2006 budget and financial plan because no additional staff or resources will be required to implement the provisions of the proposed legislation. The proposed title will contribute to an overall increase to District User Fees and Charges of \$6.6 million in FY 2003.

[Subtitle D – License and Title Amendment Act of 2002:](#)

Background

The proposed title makes changes to the fees collected by the Department of Motor Vehicles (DMV). The proposed title will increase the fee for impounded vehicle towing from \$55 to \$72; and the fee for titling and retitling from \$20 to \$26. The vehicle fee for

full-time students who are required to comply with all motor vehicle registration regulations will be increased from \$250 to \$325.

Financial Plan Impact

Funds are sufficient in the FY 2003 through FY 2006 budget and financial plan because no additional staff or resources will be required to implement the provisions of the proposed legislation. The proposed title will contribute to an overall increase to District User Fees and Charges of \$6.6 million in FY 2003.

[Subtitle E – Licenses Fee Amendment Act of 2002:](#)

Background

The proposed title authorizes the Mayor to make changes to the District of Columbia Municipal Regulations to increase certain fees.

Financial Plan Impact

Funds are sufficient in the FY 2003 through FY 2006 budget and financial plan because no additional staff or resources will be required to implement the provisions of the proposed legislation. The proposed title will contribute to an overall increase to District User Fees and Charges of \$6.6 million in FY 2003.

[Title XVIII – Other-Type Funds Allocation to the Local Fund Amendment Act of 2002:](#)

Background

The proposed legislation authorizes the Mayor to make a technical amendment to Chapter 3 of Title 47 to allow the transfer of dedicated funds to the District's general fund. Provisions of the proposed legislation require all transfers to be in consultation with the CFO.

Financial Plan Impact

Funds are sufficient in the FY 2003 through FY 2006 budget and financial plan as currently agreed to by the Mayor and the Council of the District of Columbia. The proposed legislation will not require any additional staff or resources. Should the transfer of funds be approved, then the proposed title will decrease "O" type revenue and increase local General Fund revenue.

[Title XIX – Adjustment to Other Fees, Fines, Charges, Permits and License Rates Act of 2002:](#)

Background

The proposed title provides the Mayor with the authority to adjust all fees and charges by as much as 30 percent through Resolution before the Council, Rulemaking or publication that are not otherwise adjusted by the provisions of the proposed legislation.

The Mayor is required to deliver by October 25, 2002 a report to the Council of all changes made by implementing the proposed title.

Financial Plan Impact

Funds are sufficient in the FY 2003 through FY 2006 budget and financial plan as currently agreed to by the Mayor and the Council of the District of Columbia. The proposed legislation will not require any additional staff or resources. In addition, the proposed title will contribute to an overall increase to District User Fees and Charges of \$6.6 million in FY 2003. The proposed title will decrease "O" type revenue and increase local General Fund revenue.

[Title XX – Medicaid State Plan Amendment Act of 2002:](#)

Background

The proposed title repeals the annual rate of inflation adjustment requirement for basic rates of pay to hospitals, nursing facilities, and intermediate care facilities. These rates will remain at their current levels. In addition the proposed title will increase the pharmacy dispensing fee from \$3.75 to \$4.50 and make the rate increase effective on April 1, 2003.

The proposed title broadens the eligibility for the District's State Plan for Medical Assistance to include childless adults 50 to 64 years of age.

Financial Plan Impact

Funds are sufficient in the FY 2003 through FY 2006 budget and financial plan to fund all costs associated with implementing the proposed title. The FY 2003 budget includes \$12.9 million for these purposes.

[Title XXI – State Health Planning and Development Agency Amendment Act of 2002:](#)

Background

The purpose of the proposed title is to repeal the authority for State Health Planning and Development Agency.

Financial Plan Impact

Funds are sufficient in the proposed FY 2003 through FY 2006 budget and financial plan to implement the provisions of the proposed title.

[Title XXII – Bail Reform Amendment Act of 2002:](#)

Background

The proposed title is procedural concerning safety and secure custody practices with respect to current initiatives for release for employment, schooling or other limited purposes.

Financial Plan Impact

The proposed title would have no impact on the proposed FY 2003 through FY 2006 budget and financial plan and has no impact on the cost of services or local General Fund revenue.

[Title XXIII – Extension of Expedited Council Contract Review Period Act of 2002:](#)

Background

The Council's authority to expedite the review of contracts within a five-day review period is set to expire. If that authority expires the review period will revert to a 90-day and 120-day review period. The proposed legislation extends the expiration of the expedited review for an additional two more years so that the provisions expire in 2004 instead of 2002.

Financial Plan Impact

The proposed legislation has no impact on the budget and financial plan.

[Title XXIV – Facilities Consolidation Commission Amendment Act of 2002:](#)

Background

The proposed title establishes a nine member Facilities Consolidation Task Force appointed by the Chairman of the Council of the District of Columbia and the Mayor. The purpose of the task force is to inventory District-owned property for the purpose of closure and disposal, publish the inventory in the D.C. Register disclosing the findings of the Task Force, conduct public hearings, publish recommendations, and prepare any required legislation associated with property initiatives.

Financial Plan Impact

Funds are sufficient in the FY 2003 through FY 2006 budget and financial plan to implement the provisions of the proposed title. The proposed title will result in costs of \$300,000 to offset reasonable expenses for the Facilities Task Force Commission. The Mayor will be required to absorb these costs from among the agencies currently charged with maintaining the properties that are the subject of this title.

[Title XXV – Anti-Graffiti Amendment Act of 2002:](#)

Background

The proposed title provides the Mayor with the authority to bill property owners at a rate of \$125 per hour for the removal of graffiti from their property. Property owners will have the right to appeal the fees. Provisions of the proposed title outline the billing and hearing process.

Financial Plan Impact

It is difficult to estimate the funds that the District will raise from charging fees to property owners. The total could only be small. Thus, it is difficult to predict the impacts of the proposed title.

SUMMARY

This bill will result in an approximate net financial benefit to the District Government of \$128.8 million in FY 2003 and \$550.1 million from FY 2003 through FY 2006. This measure along with anticipated Mayoral rulemaking and agency planned expenditure reductions will result in an approximate \$323.5 million overall reduction from the FY 2003 budget submitted in June 2002. The combined initiatives provide sufficient funds to implement the FY 2003 consensus budget and financial plan as agreed to by the Mayor and the Council of the District of Columbia. The following tables present a summary of

the net revenue impact of the proposed legislation to the proposed FY 2003 through FY 2006 budget and financial plan.

Proposed Revenue Changes Impacting the Financial Plan (\$ in millions)					
Item	FY 2003	FY 2004	FY 2005	FY 2006	4-Year Total
Sales Tax	\$7.2	\$9.4	\$9.1	\$9.0	\$34.7
Real Property Tax	5.8	5.2	4.8	4.8	20.6
Deed Recordation & Transfer	24.0	27.3	27.9	28.6	107.8
Franchise Tax	17.5	24.3	25.2	26.3	93.3
Gross Receipts Tax	15.3	20.9	21.8	22.8	80.8
Subtotal Tax Revenue	\$69.8	\$87.1	\$88.8	\$91.5	\$337.2
Non-Tax Revenue	17.5	23.3	23.3	23.3	87.4
Other Type Revenue	9.2	12.2	12.2	12.2	45.8
Agency Revenue Initiatives	15.8	15.8	15.8	15.8	63.2
HPTF Revenue	6.5	0.0	0.0	0.0	6.5
Tobacco Residuals	10.0	0.0	0.0	0.0	10.0
Non-Tax Subtotal	\$59.0	\$51.3	\$51.3	\$51.3	\$212.9
Net Annual Impact	\$128.8	\$138.4	\$140.1	\$142.8	\$550.1

The Chief Financial Officer's legislative fiscal analysis is prepared by the Special Projects and Fiscal Analysis Administration in the Office of Research and Analysis. Contact us at 441 4th Street, NW, Suite 400S, Washington D.C., 20001 or view our work on-line at <http://cfo.dc.gov>.